Employment Recovery in Urban Areas following the Great Recession

Ryan Howley

Economist
Bureau of Labor Statistics, Washington, DC

Toby Paterson

Economist
Employment Security Department, Washington State

June 2013

The views expressed are those of the authors and do not represent official positions of the US Bureau of Labor Statistics or the Washington State Employment Security Department

The United States economic recession that began in late 2007 and ended in the summer of 2009, often called the Great Recession, is notable in both its severity (loss of jobs and decreased gross domestic product (GDP)) and lagging recovery (the rate and amount of both job increases and GDP growth). Compared to the recession of 2001, where total non-farm employment (TNF) declined 2% peak to trough, over 6% in overall jobs from peak to trough[1] were lost during the 2007 recession. In fact, national TNF employment was lower during the trough of February 2010 than that of August 2003 according to data from the Bureau of Labor Statistics (BLS). Since hitting bottom in February 2010, the economy has been on a steady but slow path to recovery. Thirty-eight months out from the trough, the percent of jobs recovered from the peak to trough stands at 70.4%, based on April (preliminary) Current Employment Statistics (CES) data from the BLS. By contrast, jobs reached a new high just 18 months following the 2001 recession trough.

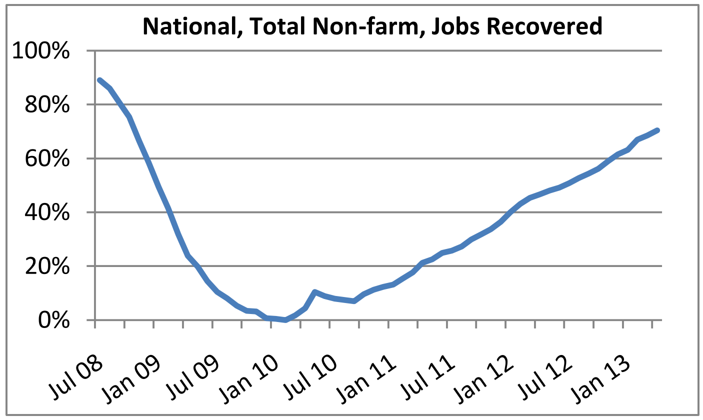

Figure 1. Seasonally-adjusted. Source: US Bureau of Labor Statistics

While the overall economic recovery may be steady, it is far from even when we compare across geographic regions. There is a noticeable difference in TNF employment recovery between urban centers and smaller cities, with the larger metropolitan statistical areas (MSA) experiencing more robust job growth. Estimated CES metropolitan areas and divisions[2] of greater than 1 million seasonally-adjusted TNF jobs as of March 2012 (benchmarked[3]) had recovered an average of 73.8% of jobs by September 2012. Those areas with between 200,000 and 1 million jobs recovered an average of 64.2%, while the others have recovered an average of 62.9%. This pattern continues through the more recent estimated months as well, as is summarized in Figure 2. The mean percent recovered in the small and medium categories benefited from a handful of areas that saw little to no decline during the recession.

	Percent Lost		Percent Recovered, Sept 2012		Percent Recovered, Apr 2013 (P)*	
MSA Size	Mean	Median	Mean	Median	Mean	Median
1,000,000+	7.4%	7.4%	73.8%	52.6%	90.9%	65.3%
200,000 - 999,999	6.9%	6.4%	64.2%	47.2%	78.7%	57.6%
<200,000	7.7%	7.3%	62.9%	40.4%	77.7%	47.7%

*Preliminary data as of May 29, 2013 release

Figure 2. Job Recovery by MSA/MD Size. Source: US Bureau of Labor Statistics

[1] For the most recent recession, we define “peak” for an area as the maximum seasonally-adjusted employment from January 2007 – December 2008 and “trough” as the minimum from January 2009 – December 2010.

[2] MSAs aggregated from metropolitan divisions and not estimated separately have been removed from analysis to prevent double counting.

[3] Benchmark data is based on the BLS Quarterly Census of Employment and Wages series.

After removal of the 12 MSAs that saw less than a 2% decline in employment, the mean recovered for the smallest MSAs declined to 49.7% as of September 2012 and 59.2% for April 2013 (preliminary). For those between 200,000 and 1 million employment, the new mean percent recovered is 61.3% and 75.4% respectively.

The northwestern states also exhibit the pattern of better recovery in the more urban areas. Washington, Oregon, and Idaho are each dominated by one large metropolitan area and those cities are experiencing significantly more growth than the rest of the state. The following charts compare the job recovery statewide (blue line) to the major urban center of the state (red) and the rest of the MSAs in that state combined (green).

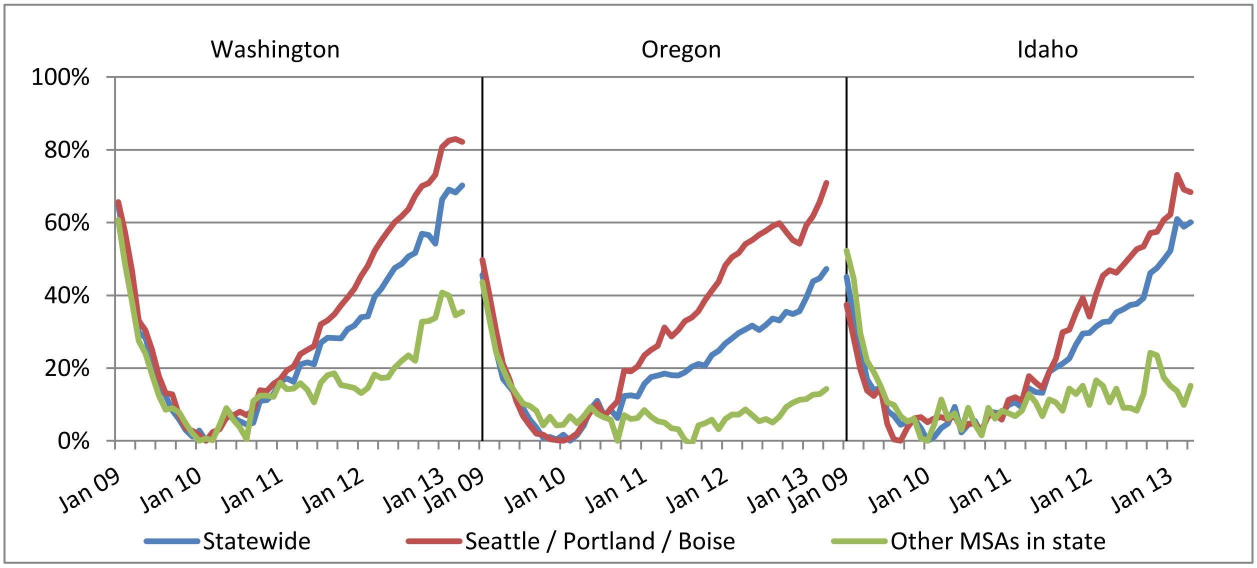

Figure 3. Percent Jobs Recovered, Northwest. The peak (100%) and trough (0%) are calculated separately for each series. Seattle is the Seattle-Bellevue-Everett Metropolitan Division. Source: US Bureau of Labor Statistics.

While the relative performance is similar across the three states, Washington's overall recovery has been more robust. The smaller MSAs in Washington are still underperforming Seattle by a significant margin, but they are faring better than their counterparts in Oregon and Idaho. As of April preliminary data, the smaller Washington MSAs have recovered over one-third of the jobs lost, while Oregon's and Idaho's are still below one-sixth recovered.

	Percent Total of State	Percent Jobs Lost	Percent Jobs Recovered, Apr P
Idaho		9.4%	60.1%
Boise	43%	10.9%	68.4%
Other MSAs		8.1%	15.2%
Oregon		9.2%	47.3%
Portland	61%	8.5%	70.9%
Other MSAs		10.9%	14.3%
Washington		7.2%	70.2%
Seattle	50%	8.8%	82.2%
Other MSAs		5.7%	35.5%

Figure 4. Job Recovery in the Northwest. Source: US Bureau of Labor Statistics

Within Washington specifically, Seattle's outperformance in job recovery is concurrent with its population growth rate exceeding that of the smaller Washington MSAs according to estimates from the Census Bureau. Following the bottoming out of the job market in early 2010, Seattle has enjoyed a much more rapid rate of population growth in the two years since. From 1.5% estimated population growth in 2011[4], Seattle's population growth accelerated to 1.7% in 2012. Conversely, while the other MSAs population grew by an estimated 1.0% in 2011, the estimated population growth rate moderated to 0.7% in 2012. Similar to the story of the jobs recovery, the urban center of Seattle is the driving force in the state, exceeding the growth rate of the smaller cities by almost a full percentage point. This pattern of urban resurgence can be seen at the national level as well, where cities are growing faster than their suburbs. According to an analysis by William H. Frey at the Brookings Institute, the twenty largest cities outgrew their suburbs over the 2010 through 2011 period and the 2011 through 2012 period, a first since the 1920s.

	2010 Census (millions)	Population Growth	
		2011	2012
Statewide	6.72	1.18%	1.08%
Seattle	2.64	1.54%	1.71%
Other MSAs	2.80	1.04%	0.73%

Figure 5. Source: US Census Bureau

The unemployment rate offers another angle on this pattern. Prior to the recession, Seattle's unemployment rate was about a half to one percentage point lower than statewide's and the smaller MSAs' combined rate. After the recession hit, all three rates increased and converged to about the same level varying around 9-10%. As the recovery began to occur, the state dynamics reverted back to how it was pre-recession with the unemployment rate in Seattle declining faster than statewide and the other MSAs. Indeed, Seattle's employment situation has improved significantly more than elsewhere in the state, to where its April preliminary unemployment rate, according to the BLS, is 4.5% whereas statewide stands at 6.5% and the other MSAs at 7.9%.

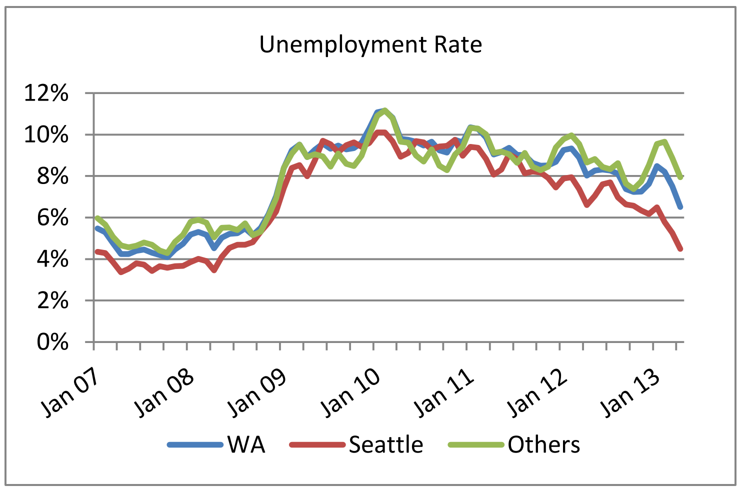

Figure 6. Not seasonally-adjusted Source: US Bureau of Labor Statistics

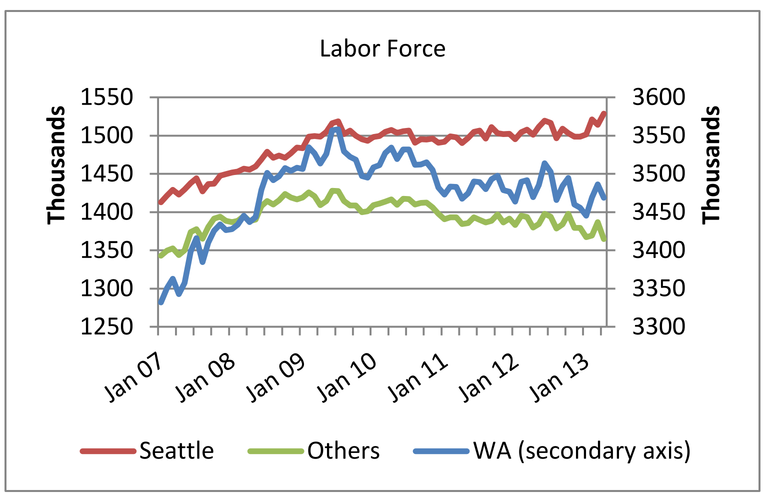

Figure 7. Not seasonally-adjusted. Source: US Bureau of Labor Statistics

This drop in Seattle's unemployment rate following the recession is not due to a declining labor force as was discussed as a factor at the national

[4] Yearly population estimates from the US Census are over the period of July 1, 2010 through July 1, 2011.

level. While the Seattle labor force increased during the recession, it flat-lined around 1.5 million people in the following years during which Seattle's unemployment rate had already began its steady descent toward pre-recession levels. Since the start of 2013, Seattle's labor force has begun trending higher, with the seasonally-adjusted April preliminary number reaching an all-time high of 1.519 million people. Seattle's labor force growth has helped stabilize Washington's overall level as the rest of the state has seen a slow, steady decline in the labor force even during the recovery period.

Despite geographical differences with the state, the upshot of Seattle's strong performance is that Washington is near the top of the list in terms of economic growth among the states. According to numbers recently released by the Bureau of Economic Analysis, Washington's 2012 GDP grew at a rate of 3.6%, the fourth highest of all states. This follows a more modest year in 2011 when Washington's GDP grew 2.0%, more towards the middle of the pack. Additionally in 2012, Washington's per capita personal income grew 3.5%, the 6th highest among all states, to a level of $45,413, an all-time high. This is a tick up in relative performance as Washington's 2011 growth rate of 4.4% was 27th highest.

Though there are some concerns about differences in the economic recovery across geographic regions within Washington, the overall performance has been steady and positive. The outperformance of the urban center of Seattle is a pattern witnessed across the nation as both population and jobs are flowing to the larger cities. The strong economic performance of Seattle has led Washington to be near the top nationally in several metrics including GDP and personal income growth.